

# **Department of Energy**



## **DOE A-123 Corrective Action Plan**

### **Chicago Office**

**June 2006**



# DOE A-123

## - Corrective Action Plan-

### Chicago Office LBNL

#### INTRODUCTION

The Corrective Action Plan is a step-by-step plan of action and schedule for resolving internal control weaknesses identified by the DOE A-123 process. The process includes:

- o Reviewing and defining the problem
- o Finding the cause of the problem
- o Developing an action plan to correct the problem and prevent recurrence
- o Implementing the plan
- o Evaluating the effectiveness of the correction (*Follow up*).

|  |   |
|--|---|
| <b>TITLE</b>                               | <i>Internal Audit findings</i>  |
| <b>CAP #</b>                               | <i>LBNL-7</i>   |
| <b>Date Identified</b>                     | March 2006  |
| <b>Process Cycle (s) &amp; Process(es)</b> | Procure to Pay (P2P)<br>Invoicing, Vendor Information Maintenance, and Payable Management |

#### 1.0 SUMMARY OF DEFICIENCIES

*[Provide description of the deficiencies identified for the Entity Area or Processes. This description should include the date identified, deficiency, risk, root cause, scope of remediation and actual/potential impact. In addition provide a brief description of those deficiencies for which remediation activities have already been initiated and/or completed.]*

##### **1. Invoice approval (certification) rules may prevent payment in accordance with subcontract terms.**

Payments may be delayed due to approvals which may not occur in a timely manner. The result is a late payment which does not conform to the terms and conditions of the subcontract. This may occur because the certifiers (approvers) are not aware of the requirement to certify in a timely manner.

When a certifier leaves the Laboratory an alternate is not automatically selected.

This item was identified in an Internal Audit report dated March 2006.

##### **2. Vendor Creation Requests and Vendor Set up and Change Controls**

When a new vendor is created the request was not always submitted with a signature or an email. In cases, where the buyer sat in close proximity to the vendor administrator the request was often hand carried to the vendor administrator.



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Post office boxes were used for some vendors without an address on file. Some vendors used employee addresses.

In some instances, duplicate vendors could be set-up

These items were identified in an Internal Audit report dated March 2006, a subsequent audit report dated June 2006 and Site AART.

#### **3. Inappropriate vendor access**

The role to set up and distribute vendors was granted to individuals who may not have had a system need to set up vendors. In addition, there was a role that was system role which allowed test users to set up vendors.

This item was identified in an Internal Audit report dated March 2006.

#### **4. System Contract invoices**

Invoices that are sent to the Laboratory via Electronic Data Interchange (EDI) do not get matched to the purchase order because a release is not systemically recorded against the purchase order. Because of the lack of a purchase order record of the release, receiving is not systemically recorded. The end result is that often orders are placed by phone or fax, with an invalid project code and receiving is not verified on the goods that are shipped as a result of the order.

This item was identified in an Internal Audit report dated March 2006.

#### **5. Missing certification requirements**

A system feature which required certification on certain purchase orders was not upgraded to the current version of the Financial Management System (FMS). As a result, some invoices were paid without approval, because the system did not prevent payment until an approval was submitted.

This item was identified in an Internal Audit report dated March 2006.

#### **6. System failure to require purchase order matching**

In the FMS system, matching between a purchase order and invoice (Two - way rule) or between a purchase order, invoice and receipt (Three-way rule) is required. When the buyer on a purchase order was changed, the system no longer required invoice matching. This issue was a result of a vendor delivered "bug".

This item was identified in an Internal Audit report dated March 2006.

#### **7. Unposted/ unpaid vouchers**

Vouchers/ invoices are not posted to the general ledger when there is a match exception due to a missing receipt or an invoice discrepancy. Vouchers



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may also remain in an unposted status when awaiting certification or approval.

#### **8. Blanket Purchase Orders Requiring a NTE Value Increase and Non Dispatched Purchase Orders**

When a purchase order requires an increase in value or a purchase order is not dispatched, invoices cannot be entered. At times the value of a blanket purchase order needs to be increased, if there is a time lag in the processing of a requisition and the receipt of an invoice, the invoice cannot be entered. In addition, when a purchase order modification is made, the status is changed to a non dispatched status. This also prevents invoices from being entered against the purchase order. In both cases, delayed payment could result.

These items were identified in an Internal Audit report dated March 2006.

#### **2.0 RESPONSIBLE OFFICIAL**

*[Provide a program office, name, and contact information of the accountable individual.]*

|                |                       |
|----------------|-----------------------|
| Program Office | LBNL – Chicago Office |
| Name           | Barbara Gómez         |
| Contact Number | (510)486-4788         |
| Email          | BGomez@lbl.gov        |

If other Departmental organizations are involved in related remediations or need to be involved to ensure standardization and/or integration with other efforts (e.g. Tiger Team, etc.), identify the point(s) of contact:

| Name                         | Organization   | Role                               |
|------------------------------|----------------|------------------------------------|
| Marty Straka<br>630-252-7724 | Chicago Office | OMBA-123<br>implementation contact |
|                              |                |                                    |

#### **3.0 REMEDIATION STRATEGY/DESCRIPTION**

*[Provide a brief description of the overall approach to correct the deficiency. Include information such as:*

- 1. Remediation target: [Does the remediation focus on: Business processes, systems, training, communications, policies & procedures or other areas? Indicate all that apply.]*
- 2. Systems Impacted: [e.g. STARS, FDS, Bears, etc]*



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3. *Impact on corporate processes: [Is the remediation the results of corporate issues that would benefit from remediation at a Departmental level?]*
4. *Short-Term/Long-Term: [Is this a remediation that is intended to be a short-term or long-term fix?]*

The first remediation goal is to address the business process, and in cases where business process solutions do not suffice, system solutions will be considered. Financial policy is used when Laboratory wide business rules are needed. When Accounts Payable department specific actions are required, desk procedures are used.

Short term fixes may be applied to mitigate the vulnerabilities until a long term solution is implemented.

#### 4.0 MILESTONES AND TRACKING

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In addition, business process reengineering for the certification process is being considered for the long term.

| No. | Milestones/Action  | Target Completion | Revised Completion | Actual Completion | Documentation  |
|-----|--|-------------------|--------------------|-------------------|--|
| 1   | <b>Invoice approval (certification) rules may prevent payment in accordance with subcontract terms.</b><br><i>Financial Policy- Invoice Certification</i>  |                   |                    | April 28, 2006    | Policy   |
| 2   | <b>Vendor Creation Requests and Vendor Set up and Change Controls</b><br><i>Desk Procedures</i>  | July 31, 2006     |                    | July 3, 2006      | Accounts Payable Desk Procedures   |
| 3   | <b>Inappropriate vendor access</b><br><br><i>A financial system update was made by the Financial Systems and Reporting group. All security roles were reviewed and the role of POADM was reviewed. There is a demonstrated measurable change in access before the security update and after.</i> |                   |                    | May 2006          | <i>Review number of individuals and roles who had vendor access before May 2006 and after May 2006.</i><br><br><i>Ready for testing-</i> |



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|----|---|-----------|--|---------------|---|
| 4  | <b>System Contract invoices</b><br><i>The first electronic ordering system will be set up in pilot mode with implementation in July 2006. All controls have been documented by Internal Audit and are ready for testing. Unique releases are tracked by purchase order and are electronically matched in the system prior to payment.</i> | July 2006 |  |               | <i>Internal Audit Draft Review by Adel Flores.</i>      |
| 5  | <b>Missing certification requirements</b><br><i>This system update was made to require certain categories such as services to require certification when invoices are \$5,000 or more</i>   |           |  | April 2006    | <i>Ready for testing</i>                                |
| 6. | <b>System failure to require purchase order matching</b><br><i>A fix was made by IT and was implemented in February 2006. A test will be completed in July 2006 to review what had been paid prior to the fix.</i>  |           |  | February 2006 | <i>Ready for testing</i>                                |
| 7  | <b>Unposted/ unpaid vouchers</b><br><i>These issues are tracked monthly during vendor account reconciliation and are reviewed. The current aging report for June 2006 will note significant decreases for prior period match exceptions and invoices pending certifications.</i>  | July 2006 |  |               | <i>A manual process reviews the exceptions monthly.</i> |
| 8  | <b>Blanket Purchase Orders Requiring a NTE Value Increase and Non Dispatched Purchase Orders</b><br><i>These issues are manually tracked by Accounts Payable and weekly a status report is sent to Purchasing.</i>  | May 2006  |  |               | <i>Status Report on File</i>                            |



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5.0 SIGN OFF

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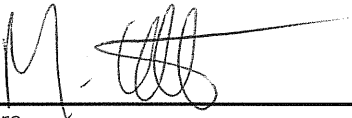
Plan Approved:

Michael M. Costello

Controller, OCFO

Name

Title

  
Signature

7/17/06  
Date

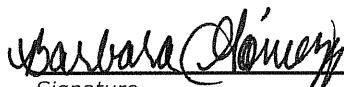
Corrective Action(s) Completed/Implemented:

Barbara Gomez

Accounting Manager, Disbursements, OCFO

Name

Title

 8/22/06  
Signature

July 3, 2006

Date